

FISCAL NOTE

Bill #: SB 19 Primary Sponsor: Steve Doherty	Title: Fund transfer from State Fund to General Fund Status: As Introduced
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Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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Fiscal Summary

	<u>FY 2003 Difference</u>	<u>FY 2004 Difference</u>	<u>FY 2005 Difference</u>
Expenditures:			
General Fund	\$8,403,348	\$0	\$0
Other – Enterprise transfers	\$8,403,348	\$4,775,401	\$3,462,002
Revenue:			
General Fund	\$8,403,348	\$4,775,401	\$3,462,002
Net Impact on General Fund Balance:	\$0	\$4,775,401	\$3,462,002

<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
	X	Significant Local Gov. Impact	X		Technical Concerns
	X	Included in the Executive Budget		X	Significant Long-Term Impacts
	X	Dedicated Revenue Form Attached		X	Family Impact Form Attached

Fiscal Analysis

ASSUMPTIONS:

1. Claims for injuries resulting from accidents that occurred before July 1, 1990 are referred to as the 'Old Fund'.
2. In FY 1988 a tax on Montana employers was imposed to fund the unfunded workers' compensation liability. This tax was expanded in 1993 to include employees and self-employed and became known as the Old Fund Liability Tax (OFLT).
3. The OFLT was terminated effective December 31, 1998, upon determination that the liabilities of the Old Fund were 'adequately funded'. Adequately funded is defined in 39-71-2352(4), MCA, as the present

- value of: the total cost of future benefits remaining to be paid; the cost of administering claims; and an additional amount equal to 10% of the total amounts of benefits remaining and administrative cost.
4. Should it be determined that the Old Fund is not 'adequately funded' current law 39-71-2352, MCA, requires the State Fund to transfer back an amount to the Old Fund to maintain 'adequate funds'. This amount is limited to the total transfers from the Old Fund to the State Fund (New Fund).
 5. Annually, an independent actuary is engaged to determine if the Old Fund continues to be 'adequately funded'. Funds in excess of 'adequate' are transferred to the State Fund (New Fund). In FY 2001 and FY 2002, the transfers were \$6,765,027 and \$7,407,512, respectively. The projected FY 2003 transfer is \$8,403,348.
 6. SB 19 would transfer, beginning with FY 2002, the excess of 'adequate funding' to the General Fund rather than the State Fund.
 7. As required by law, the State Fund contributed approximately \$166 million toward the Old Fund's unfunded liability, in lieu of dividends, to eliminate the OFLT many years earlier than anticipated. This equates to 30% of the total Old Fund liability funding since 1987.
 8. The legislature recognized the contributions made by the Montana State Fund and the businesses insured by MSF in SB 67 passed in 1997. Any funds in excess of the present value of: the total cost of future benefits remaining to be paid; the cost of administering claims; and an additional amount equal to 10% of the total amounts of benefits remaining and administrative cost, is to be returned to MSF each year, which creates an "ownership" interest by State Fund policyholders in any excess funds. SB 19 takes funds in excess of "adequate funding" without recognition of this interest.
 9. SB19 removes the requirement that the State Fund return transferred funds to the Old Fund should Old Fund be determined to have less than 'adequate funding'.
 10. SB19 requires the General Fund to transfer funds to the Old Fund if the Old Fund is not 'adequately funded'.
 11. The FY 2004 and FY 2005 estimated funds available for transfer are \$4,775,401 and \$3,462,002, respectively.
 12. SB 19 transfers fund balances. There is no new revenue generated.
 13. Under current law, the Office of Public Instruction would distribute \$1,822,162 to schools for technology acquisition in FY03, pursuant to 20-9534. HB 4 (August 2002 Special Session) eliminates the technology acquisition allocation to schools, creating a general fund savings of \$1,822,162.

FISCAL IMPACT:

	<u>FY 2003 Difference</u>	<u>FY 2004 Difference</u>	<u>FY 2005 Difference</u>
<u>Expenditures:</u>			
<u>School for the Deaf and Blind</u>			
Personal Services, Operating, Equipment	\$56,995	\$0	\$0
<u>Board of Public Education</u>			
Personal Services, Operating, Equipment	17,774	0	0
Local Assistance (Technology, Flex)	8,328,579	0	0
Transfers from Enterprise (06)	<u>8,403,348</u>	<u>4,775,401</u>	<u>3,462,002</u>
TOTAL	\$16,806,696	\$4,775,401	\$3,462,002

Fiscal Note Request, SB 19, As Introduced

Page 3

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Funding:

General Fund (01)	\$74,769	\$0	\$0
State Special Revenue (02)	8,328,579	0	0
Other – Enterprise (06)	<u>8,403,348</u>	<u>4,775,401</u>	<u>3,462,002</u>
TOTAL	\$16,806,696	\$4,775,401	\$3,462,002

Revenues:

General Fund (01)	\$74,769	\$4,775,401	\$3,462,002
State Special Revenue (02)	<u>8,328,579</u>	<u>0</u>	<u>0</u>
TOTAL	\$8,403,348	\$4,775,401	\$3,462,002

Net Impact to Fund Balance (Revenue minus Expenditure):

General Fund (01)	\$0	\$4,775,401	\$3,462,002
State Special Revenue (02)	\$0	\$0	\$0
Other – Enterprise (06)	(\$8,403,348)	(\$4,775,401)	(\$3,462,002)

TECHNICAL NOTES:

SB 19 transfers monies to the general fund and state special funds. The general fund transfers in the bill does not contain the appropriations necessary to ensure that the money that is transferred to the general fund is appropriated to the entities designated in the bill. The flex fund deposit exceeds the current appropriated level and would require an increase in the appropriation by \$1.4 million. The technology fund is a statutory appropriation and does not need legislative action to increase the appropriation.